

Message Text

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ACTION EA-14

INFO OCT-01 ADP-00 AID-20 AGR-20 EB-11 PM-07 NSC-10 SS-15

RSC-01 CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 USIA-12

PRS-01 IGA-02 COME-00 TRSE-00 OMB-01 L-03 RSR-01 /132 W
----- 108530

R 160936 Z JUN 73

FM AMEMBASSY PHNOM PENH
TO SECSTATE WASHDC 1706

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FOR STATE/ AID

E. O. 11652: GDS

TAGS: ECON

SUBJECT: ECONOMIC MEASURES

REFS: (A) PHNOM PENH 5896; (B) PHNOM PENH 5944

1. WITH UNPRECEDENTED SPEED THE COUNCIL OF MINISTERS ADOPTED YESTERDAY, JUNE 15, THE PACKAGE OF ECONOMIC MEASURES RECOMMENDED BY THE EMBASSY AND IMF REPRESENTATIVE AS REPORTED REFS A AND B. THE ONE EXCEPTION RELATES TO RICE, THE PRICES OF ALL THE QUALITIES OF WHICH WILL REMAIN UNDER CONTROL. ALTHOUGH APPROVED BY THE COUNCIL OF MINISTERS, THE INCREASE IN INDEMNITIES FOR UPPER ESCHELON GOVERNMENTAL EMPLOYEES WAS NOT ANNOUNCED IN THE COMMUNIQUE.

2. THE FOLLOWING IS A ROUGH AND UNOFFICIAL TRANSLATION FROM THE KHMER COMMUNIQUE WHICH WAS BROADCASTED AT 21:00 JUNE 15. WE WILL TRANSMIT A COPY OF THE COMMUNIQUE TRANSLATED FROM THE FRENCH WHEN RECEIVED.

3. QUOTE. COMMUNIQUE.

SINCE THE BEGINNING OF THE WAR OF AGRESSION IN THE KHMER REPUBLIC, OUR STATE HAS BEEN MAKING A GREAT SACRIFICE IN FINANCE
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TO SUBSIDIZE THE COST OF THE IMPORTED GOODS.

FOR EXAMPLE, THE IMPORTED RICE COST FROM 5,300 RIELS TO 7,300 RIELS PER 100 KG., THE GOVERNMENT SOLD IT TO THE PEOPLE AT ONLY 2,200 RIELS. THIS MEANS THAT THE GOVERNMENT PAID FROM 3,100 RIELS TO 5,100 PER 100 KG. OF RICE FOR CONSUMERS. IT IS TRUE THAT THIS MEASURE HAS HELPED TO EASE THE BURDEN OF SOME OF OUR CITIZENS, BUT

EXPERIENCE SHOWED THAT IT HAS OFFERED AN IMPORTANT OPPORTUNITY TO DISHONEST BUSINESSMEN WHO SPECULATED THESE GOODS TO SELL TO THE ENEMY. THUS IT SHOWS THAT THIS SACRIFICE OF NATIONAL BUDGET PROFITS, INSTEAD, THE DISHONEST BUSINESSMEN.

ON THE OTHER HAND NATIONAL BUDGET DEGRADES GRADUALLY. IN CONSIDERATION OF THIS SITUATION, AND TO SOLVE THE PROBLEMS OF NATIONAL ECONOMY AND FINANCE, THE COUNCIL OF MINISTERS, MET ON JUNE 15, 1973, AND AFTER A LONG DEBATE, DECIDED TO TAKE SOME IMPORTANT MEASURES CONCERNING THE PROBLEM OF PRICES AND WAGES AS FOLLOWS:

- THE GOVERNMENT DECIDED TO STOP PAYING SUBSIDIES WHICH ARE EXTREME CHARGES TO THE NATIONAL BUDGET;
- PROVIDE TO ALL GOVERNMENT PERSONNEL THE POSSIBILITY TO AFFORD THE PRICES OF GOODS OF PRIME NECESSITY.

THEREFORE THE COUNCIL OF MINISTERS DECIDED AS FOLLOWS:

1. BEGINNING FROM JUNE 16, 1973, THE PRICE OF RICE AND BROKEN RICE MUST BE SET ACCORDING TO THE PRICE OF PADDY BOUGHT FROM LOCAL PRODUCERS:

- A. RICE 1/15 COSTS 5,700 RIELS PER BAG OF 100 KG.
- B. RICE 1/25 COSTS 5,500 RIELS PER BAG OF 100 KG.
- C. RICE 1/50 COSTS 5,000 RIELS PER BAG OF 100 KG.
- D. IMPORTED RICE COSTS 5,000 RIELS PER BAG OF 100 KG.
- E. RICE 2/50 COSTS 4,500 RIELS PER BAG OF 100 KG.
- F. BROKEN RICE 1/2 COSTS 3,700 RIELS PER BAG OF 100 KG.
- G. BROKEN RICE 3/4 COSTS 2,500 RIELS PER BAG OF 100 KG.

2. BEGINNING FROM JULY 1, 1973, THE PRICE OF WATER AND ELECTRICITY WILL BE SET ACCORDING TO THIS NEW MEASURE TOO, IN ORDER TO AVOID COMPENSATION FROM NATIONAL BUDGET WHICH AMOUNTED NEARLY TO ONE THOUSAND MILLION RIELS A YEAR. THE NEW PRICE WILL BE LIMITED OFFICIAL USE

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ANNOUNCED AT LATER DATE.

3. THE PRICE OF PETROLEUM PRODUCTS WILL BE SET ACCORDING TO PRICE IN INTERNATIONAL MARKET.

4. TO HELP EASING THE BUDGET OF GOVERNMENT PERSONNEL AND MILITARY, THE GOVERNMENT DECIDED TO ADD DIFFERENT ALLOWANCES BEGINNING FROM

JUNE 1, 1973, AS FOLLOWS:

- A. INCREASE FOR COST OF LIVING 1,600 RIELS PER MONTH.
- B. INCREASE FAMILY ALLOWANCE 150 RIELS PER MONTH AND FOR WIFE,
AND 100 RIELS PER CHILD.
- C. OTHER THAN THIS, THE GOVERNMENT WILL PAY OPERATION ALLOWANCE
TO COMBATTANTS.
- D. OVERTIME RATE WILL BE INCREASED ACCORDING TO THE NEW SITUA-
TION TO TEACHERS AND PROFESSORS.

IN THIS DIFFICULT CIRCUMSTANCE THE GOVERNMENT WOULD LIKE TO
APPEAL TO ALL CITIZENS FOR UNDERSTANDING OF THE REAL CAUSE OF THIS
MEASURE WHICH HAS NO OTHER PURPOSE THAN SOLVING THE PROBLEM OF
ECONOMY AND FINANCE IN TIME OF WAR. ALSO THE GOVERNMENT APPEALS
TO ALL TO HELP SHARING THE HEAVY BURDEN CREATED BY THE WAR.
PHNOM PENH, JUNE 15, 1973, MINISTER OF INFORMATION SUM CHHUM.
END QUOTE.
SWANK

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